WILLOW BIOSCIENCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTMEBER 30, 2020

202, 1201 5th Street SW
Calgary, Alberta T2R 0Y6
Tel: 1.403.910.5140

This Management's Discussion and Analysis ("**MD&A**") of Willow Biosciences Inc. ("**Willow**" or the "**Company**") has been prepared by management as of November 12, 2020.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2020 and supporting notes (the "**Financial Statements**"). The Financial Statements, have been prepared in accordance with International Accounting Standards No. 34, Interim Financial Reporting ("**IAS 34**") of International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

Unless otherwise stated, financial information in this MD&A is expressed in Canadian dollars. Certain dollar amounts have been rounded to the nearest million dollars, hundred thousand dollars or thousand dollars, as noted.

Additional information relating to Willow can be found at www.willowbio.com. The Company's continuous disclosure materials, including its annual and quarterly MD&A, audited annual and unaudited interim financial statements, management information circulars, annual information forms and various reports issued by the Company are also available through SEDAR at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A may include forward-looking statements including opinions, assumptions, estimates, the Company's assessment of future plans and operations, and, more particularly, statements concerning: Willow's milestone projections and timeline to commercialization, including the timing, costs and quantity thereof; the effects of COVID-19 on the Company and its operations; the market size potential of the synthetic cannabinoid industry; Willow's entry into new global markets; the development of a yeast-based cannabinoid production platform; improved productivity and yield; the performance of the science team, management and board of the Company; the strategic partnerships with Noramco and AMRI (as defined below) and other future strategic relationships; and the business plan of the Company, generally, including cannabinoid research and production at the facilities located in British Columbia and California. When used in this document, the words "will," "anticipate," "believe," "estimate," "expect," "intent," "may," "project," "should," and similar expressions are intended to be among the statements that identify forward-looking statements. The forward-looking statements are founded on the basis of expectations and assumptions made by the Company which include, but are not limited to: the success of Willow's strategic partnerships, including the development of future strategic partnerships; the financial strength of the Company; the market for Willow's products; the ability of the Company to obtain and retain applicable licences; and the successful implementation of Willow's commercialization strategy, generally. Forward-looking statements are subject to a wide range of risks and uncertainties, and although the Company believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, but not limited to, risks associated with the cannabinoid industry in general, infringement on intellectual property, failure to benefit from partnerships or successfully integrate acquisitions, actions and initiatives of federal and provincial governments and changes to government policies and the execution and impact of these actions, initiatives and policies, import/export and research restrictions for cannabinoid-based operations, the size of the cannabinoid market, competition from other industry participants, adverse U.S., Canadian and global economic conditions (including due to the recent COVID-19 outbreak), failure to comply with certain regulations, departure of key management personnel or inability to attract and retain talent regulatory and other factors more fully described from time to time in the reports and filings made by the Company with securities regulatory authorities. Except as required by applicable laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements.

Any financial outlook and future-oriented financial information contained in this document regarding prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future-oriented financial information or a financial outlook. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein.

Overview of the Company

The Company's common shares (the "**Common Shares**") are listed on the Toronto Stock Exchange ("**TSX**") under the trading symbol "WLLW", and under the trading symbol "CANSF" on the OTCQX® Best Market. The Company's head office and registered office is located at 202, 1201-5th Street SW, Calgary AB, T2R 0Y6 and it has operations in Burnaby, British Columbia and Mountain View, California.

Willow is a Canadian biotechnology company that produces high purity, plant derived compounds that provide building blocks for the global pharmaceutical, health and wellness, and consumer packaged goods industries. Willow is initially focused on the production of cannabinoids for the treatment of pain, anxiety, obesity, cancer treatments and brain disorders. With its proven science team, Willow is building on its prior successes, including high purity compounds used today in pain and cancer treatments. Willow uses a scalable manufacturing process to create a consistent, sustainable compound that allows for the discovery and economic development of new, life changing drugs.

Willow has two laboratories for research and development in Mountain View, California and Burnaby, British Columbia.

In Mountain View, California, the team exploits a wide variety of high throughput screening technologies to identify and deploy additional genetic elements and solutions to further enhance production from its working cannabinoid-producing yeast strains. This secure facility includes cutting-edge automation equipment, liquid handling robots, and analytical instrumentation combined with large scale bioinformatics and data handling systems to rapidly evaluate high volumes of data and results. The research team currently consists of 13 members including several key personnel focused on strain engineering, high throughput screening and analytics assay development.

Willow's lab in Burnaby, British Columbia, focuses on correlating the physical characteristics of cannabis plant strains with their unique genomic underpinnings to enable the improvement of both plant and yeast strains, and also houses state-of-the-art molecular biology and analytical chemistry capabilities.

The Arrangement

On April 12, 2019, BioCan Technologies Inc. ("**BioCan**") and the Company completed a reverse takeover whereby the Company acquired 100% of the outstanding common shares of BioCan (the "**BioCan Shares**") by issuing 17,142,878 Common Shares to BioCan shareholders in exchange for their BioCan Shares. This resulted in BioCan shareholders gaining control of the Company. The acquisition was completed by way of a court-approved plan of arrangement under the *Business Companies Act* (Alberta) (the "**Arrangement**"). At the time of the Arrangement, the Company had 1,409,847 Common Shares, 729,748

Common Share purchase warrants and 37,490 stock options outstanding. The purpose of the Arrangement was to allow BioCan to become a publicly-listed entity.

The pre-Arrangement Company did not meet the definition of a business and the acquisition was accounted for as the purchase of the Company's net assets by BioCan. The net purchase price was determined as equity settled share-based payment, under IFRS 2, Share-based payments.

As part of the Arrangement, the Company completed the acquisition of 100% of the outstanding common shares of Epimeron Inc. ("**Epimeron**") in exchange for 17,143,199 Common Shares of the Company. The purchase price was calculated based on the closing price of the Common Shares at the closing date, and it exceeded the net assets of Epimeron Inc. by $31.7 million, which was recognized as goodwill. The Company valued Epimeron's 16 patents and patents pending at $6.6 million, which will be amortized over their useful life.

Concurrent with the Arrangement, the Company: (i) replaced its board of directors and management team with a new board and management team; and (ii) changed its name to "Willow Biosciences Inc." and its ticker symbol on the Canadian Securities Exchange (the "**CSE**") to "WLLW".

Private Placement and Public Listing

On April 12, 2019, and concurrent with the Arrangement, the Company closed a private placement of Common Shares and units (the "**Units**"), which consisted of one Common Share and one performance Common Share purchase warrant (each, a "**Performance Warrant**"), for gross proceeds of $29.2 million, resulting in the issuance of 33,371,428 Common Shares and 24,169,722 Performance Warrants (the "**Private Placement**"). On May 22, 2019, 9,219,390 Performance Warrants were exercised for gross proceeds of $8,066,952.

Cannabinoid Production Through Biosynthesis

Cannabis sativa (marijuana, hemp; Cannabaceae) is a plant with a range of medicinal properties. Its unique effects are due to the presence of cannabinoids, which can include cannabidiol ("**CBD**") and more than 80 other related metabolites. Medical marijuana and cannabinoid drugs are increasingly being used to treat a range of diseases and conditions such as multiple sclerosis and chronic pain.

Currently, production of cannabinoids for pharmaceutical or other uses is through extraction from cannabinoid-producing plants such as *cannabis sativa*, or by chemical synthesis.

Biosynthesis is a multi-step, enzyme-catalyzed process where substrates are converted into more complex products within living organisms. While various living organisms can be used for biosynthesis including *E. coli*, algae or yeast, Willow uses a type of yeast known as *Saccharomyces cerevisiae*.

Biosynthesis offers a potential low-cost solution for production of pure cannabinoids. For example, cannabinoid production in yeast can be achieved from hexanoic acid using five plant-derived enzymes, specifically acyl-CoA activating enzyme, an olivetol synthase, a cyclase enzyme, a prenyltransferase, and a final FAD-linked oxidoreductase (e.g., CBDA synthase). Heterologous expression of the first four of these enzymes yields cannabigerolic acid (CBGA), while the oxidoreductase enzyme, e.g., cannabidiolic acid synthase, completes the final step to produce cannabidiolic acid (CBDA).

Operational Update

During the first nine months of 2020, Willow generated cannabinoid producing yeast strains, optimized their production through a combination of strain and fermentation process engineering, and developed a commercially relevant downstream process for production of greater than 99% pure Cannabigerol ("CBG"). This CBG process was successfully scaled to 500-litre pilot scale in the third quarter of 2020 at Willow's development partner, Albany Molecular Research, Inc. ("**AMRI**") to provide pure CBG samples for evaluation by prospective Consumer Packaged Goods ("**CPG**") customers.

CBG Production – Milestones and Costs

On June 17, 2020, the Company announced that it has added multiple cannabinoids to its portfolio in addition to the previously announced CBD. These include **CBG** and three "varin cannabinoids", which are cannabigerovarin ("**CBGV**"), cannabidivarin ("**CBDV**"), and tetrahydrocannabivarin ("**THCV**").

The Company's first commercial product will be CBG, which is a promising cannabinoid with early research suggesting it has anti-microbial and antioxidant properties. While CBG cannot be produced in appreciable quantities in the plant, Willow's proprietary yeast production process is expected to be able to produce commercial quantities. Willow anticipates being able to commercialize CBG in the first half of 2021 and the Company is in the process of selecting its manufacturing locations, from which it can reach both local and world markets.

Willow's CBG production work has been completed alongside its CBD production work to date, as the CBG producing yeast strains were developed as part of the CBD development pathway. The total third-party scale up costs for CBG will be between $1.5 million and $2.0 million and will be completed in the second half of 2021. The Company has not yet chosen a commercial manufacturer ("**CMO**") for CBG and anticipates using multiple CMO's in order to produce and sell in multiple jurisdictions. The Company anticipates first sales of non-commercial "samples" of CBG in Q4 of 2020 with first commercial sales in the first half of 2021.

CBD Production

During Q3 2020 the Company continued to make substantial progress to increase CBD production through application of its proprietary strain engineering technologies. In-house strain and process optimization will continue through 2020 with scale-up development starting in 2021. The Company estimates that its share of the total third-party scale up costs for CBD will be between $1.5 million and $2.0 million and will be completed in the second half of 2021. The Company has signed an agreement with Noramco whereby Noramco is required to cover the costs of commercialization.

Varin Cannabinoids – Milestones and Costs

The success of the Company's proprietary yeast production platform has enabled Willow to develop strains for producing additional high value cannabinoids. The Company has developed yeast strains and methodologies that allow it to produce significant quantities of CBGV at lab scale. Based on the accelerated pace of Willow's CBG and CBD programs and the initial success with CBGV, the Company has allocated resources to the development of commercial processes for CBGV, CBDV and THCV, all three of which are collectively referred to as the "**Varin Cannabinoids**". The Varin Cannabinoids are considered minor or rare cannabinoids in that they occur naturally in cannabis plants at less than one percent of biomass, making them challenging and costly to produce via cultivation.

In-house research and development work for the Varin Cannabinoids began in early Q3 2020 and is expected to be ongoing until the second half of 2021. Willow is currently focused on strain engineering

and fermentation process optimization at bench scale to further increase the production of Varin Cannabinoids toward commercial targets. Third party scale up work for the Varin Cannabinoids is expected to commence in the first half of 2021 and be completed in the first half of 2022. In-house costs related to the iterative strain engineering for Varin Cannabinoids are not expected to exceed $1.5 - $2.0 million. The Company has not yet chosen a scale-up partner or a CMO for the Varin Cannabinoids. The Company estimated that the total third-party scale up costs for the Varin Cannabinoids will be less than $2 million as it expects significant synergies in the processing of CBD and CBG programs. First production and sales in limited "research quantities" of the Varin Cannabinoids are expected in the second half of 2021, with commercial sales in 2022. The Company has not yet decided on a commercialization strategy for Varin Cannabinoids and does not anticipate doing so until it has better defined the ultimate market size.

Outlook

While there is a significant amount of uncertainty around the global outbreak of COVID-19, Willow remains committed to ensuring the safety of its employees and the communities around them. To date, Willow's employees have been able to effectively work remotely, when required, without any impact to the Company's timelines, but this is a dynamic situation that will be monitored closely.

Willow will continue to focus on developing and refining its yeast strains to biosynthesize CBD, CBG and the Varin Cannabinoids while also optimizing production levels and improving the performance of these processes. The Company demonstrated production of CBG with greater than 99% purity at 500-litre pilot-scale during the third quarter of 2020 with additional runs to further optimize the process planned for Q4. Production in larger, commercial-scale fermentation vessels will commence during the first half of 2021.

With approximately $9.1 million in cash as of September 30, 2020, Willow is well positioned to fund its operations to commercialization.

The Company believes the market for ultra-pure, consistent, cannabinoids for consumer products is continuing to mature and grow. Willow continues to evaluate strategic relationships with various entities in the consumer-packaged goods and pharmaceutical industries with a view towards defining our market participation and potentially gaining entry into new global markets.

For further information on the Company's various milestones and the anticipated timing and costs associated thereof, please refer to "*Operational Update*" above, and the section titled "*Description of the Business of the Corporation – Business Objectives and Strategy*" of the Company's Annual Information Form for the year ended December 31, 2019, dated March 24, 2020, a copy of which is available under the Company's SEDAR profile at www.sedar.com.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Financial Results:				
Revenues	$ 200	$-	$ 2,360	$ 4,584
General and administrative	1,367,505	1,422,624	4,076,696	3,084,792
Research and development, net of recoveries	1,562,211	1,391,700	4,872,061	1,710,875

Stock based compensation	202,940	565,135	778,108	2,032,327
Depreciations and amortizations	757,136	791,502	2,445,672	1,304,588
Goodwill impairment	-	-	-	31,739,103
Transaction and listing costs	-	-	-	1,892,126
Impairment of patents	-	-	5,517,571	-
(Gain) loss on fair value adjustments	3,709,267	(3,166,918)	1,387,712	1,180,881
Net finance (income) expense	(10,749)	(12,890)	(76,724)	1,803
Loss on disposal of equipment	6,618	-	117,449	-
Impairment of inventory and accounts	35,728	-	35,728	-
Realized loss on foreign exchange	6,773	108,168	6,773	108,168
Gain on derecognition of right-of-use asset	-	-	(36,914)	-
Gain on sale of patents	(42,486)	-	(42,486)	-
Loss before income taxes	(7,594,743)	(1,099,321)	(19,079,286)	(43,050,079)
Deferred income tax recovery	-	-	-	1,580,374
Net loss	(7,594,743)	(1,099,321)	(19,079,286)	(41,469,705)
Foreign exchange gain (loss) on translation of foreign operations	(55,943)	(3,752)	(80,398)	7,028
Net comprehensive loss	$(7,650,686)	$ (1,103,073)	$(19,159,684)	$(41,462,677)
Basic and diluted loss per share	$ (0.10)	$ (0.01)	$ (0.24)	$ (0.59)

Statement of Financial Position	**Nine months ended September 30, 2020**	**Year ended December 31, 2019**
Cash and cash equivalents	$ 9,091,894	$ 19,643,939
Total assets	16,048,502	33,883,625
Non-current liabilities	11,177,917	10,025,875
Shareholders' equity	3,627,253	22,008,829

General and Administrative Expenses

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	**2019**	**2020**	**2019**
Consulting and technical services	$ 76,655	$ 250,924	$ 206,928	$ 470,210
Salaries, wages and benefits	496,654	355,842	1,742,450	795,839
Legal, audit and accounting	174,705	208,642	481,052	379,829
Investor relations	136,483	230,158	322,529	635,069
Corporate and office	483,008	377,058	1,323,737	803,845
	$ 1,367,505	$ 1,422,624	$ 4,076,696	$ 3,084,792

General and administrative expenses include corporate consulting services, non-research and development salaries, legal, audit and accounting, travel, public company costs and general corporate expenses.

During the three and nine months ended September 30, 2020, general and administrative expenditures totaled $1.4 million and $4.1 million respectively (2019 - $1.4 million and $3.1 million respectively). The

increase was due to a higher number of general and administrative employees, higher legal and salary costs associated with closing the Calgary research and development facility and higher corporate costs due mainly to higher insurance and website costs. These were partially offset by lower investor relations costs which are mainly due to less travel and meals and entertainment as a result of the COVID-19 pandemic.

Research and Development Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Consulting and technical services	$ 7,282	$ 17,691	$ 65,832	$ 111,185
Salaries, wages and benefits	926,923	849,058	3,005,654	1,326,750
DNA Sequencing, consumables and third-party services	704,459	312,009	1,898,638	416,469
Research and development recoveries	(76,453)	212,942	(98,063)	(143,529)
Research and development expenses	$ 1,562,211	$ 1,391,700	$ 4,872,061	$ 1,710,875

In addition to costs associated directly with in-house research and development, research and development includes third party costs such as consulting and other technical services. Research and development recoveries include funding received from government programs such as Industrial Research Assistance Program ("**IRAP**") and Scientific Research and Experimental Development Tax Credits ("**SR&ED**").

During the three and nine months ended September 30, 2020, research and development expenditures totaled $1.6 million and $4.9 million respectively (2019 - $1.4 million and $1.7 million respectively). The increase was due to an overall higher level of activity compared to 2019. During the comparable three and nine month periods in 2019, the Company was in the process of ramping up its research and development capacity in Mountain View and had a much lower headcount and overall level of activity compared to the same periods in 2020. As well, the Company paid approximately $1,042,473 to third parties related to scale-up of CBD and CBG production, with all other research and development expenditures during the period relating to the Company's iterative strain optimization and development work.

As a result of the Company becoming a publicly listed company on April 12, 2019 pursuant to the Arrangement, the Company is no longer eligible for refundable SR&ED tax credits. Instead, SR&ED eligible costs will only be eligible as offsets to income taxes payable.

Stock-based Compensation

During the three and nine months ended September 30, 2020, the Company recognized stock-based compensation of $202,940 and $778,108 respectively (2019 - $0.6 million and $2.0 million, respectively). The higher stock-based compensation in 2019 relates to the stock options that were granted after the Private Placement. The expense recognized in a given period reflects the fair value of past and newly granted stock options outstanding during the period and is impacted by factors such as vesting and fluctuations in share price. Stock-based payments are a non-cash expense which does not impact operating cash flows.

Depreciation and Amortization

	Three months ended September 30		Nine months ended September 30	
	2020	**2019**	**2020**	**2019**
Depreciation on property plant and equipment	$ 609,590	$546,120	$ 1,867,675	$ 857,470
Depreciation on patents	9,126	94,232	107,212	170,502
Amortization on leases	138,420	151,149	470,785	276,617
Total depreciation and amortization	$ 757,136	$ 791,501	$ 2,445,672	$ 1,304,589

Depreciation and amortization costs relate to depreciation on property, plant and equipment and patents as well as amortization of the right-of-use assets associated with leases.

During the three and nine months ended September 30, 2020, depreciation and amortization totalled $0.8 million and $2.4 million respectively (2019 - $0.8 million and $1.3 million, respectively).

Depreciation increased because the Company had more property, plant and equipment, patents and right-of-use assets than in the prior year.

Patent Impairment

As at March 31, 2020, the Company made a decision not to pursue one of the non-cannabinoid patents any further and an impairment charge of $335,343 was recorded. All non-cannabinoid patents the Company holds are Opioid patents.

As at June 30, 2020, the Company made the decision to consolidate its lab based in Calgary, Alberta with its lab based in Burnaby, British Columbia. This resulted in a reduced headcount of approximately twelve employees, including all of the research and development employees who were involved with developing the non-cannabinoid portfolio. Concurrent with the closing of the Calgary lab, the Company made the decision not to pursue any more work with respect to its non-cannabinoid intellectual property portfolio. The Company began a sales process during the quarter for thirteen of the fourteen patents in the non-cannabinoid portfolio. Due to a number of factors, including the currently depressed opiate market and the worldwide recession as a result of the COVID-19 pandemic, management believed the ultimate price it will receive for the non-cannabinoid portfolio will be significantly less than its existing net book value. As a result, management made the decision to impair the net book value of the non-cannabinoid portfolio to reflect the amount it ultimately expected to receive. This resulted in an impairment of the entire value on eleven of the fourteen patents. Two of the remaining patents were valued at a total price of US$50,000 (CAD$68,345). The total impairment recorded for the non-cannabinoid portfolio was $5,182,228 which was taken into income during the quarter. There were no impairment triggers identified on the remaining patent in the portfolio as there are uses for the patent beyond the opioid space.

During the quarter ended September 30, 2020, the Company signed a purchase and sale agreement with a third party for the sale of the two remaining patents noted above. The total agreed upon sale price is US$50,000 plus US$32,250 for reimbursement of past, present and future expenses related to the maintenance of the patents.

As of September 30, 2020, the carrying value of the remaining non-cannabinoid patent portfolio is $318,787.

As at September 30, 2020, the carrying value of the acquired cannabinoid patent is $322,667. The cannabinoid patent has not been impaired as there were no triggers identified which would lead to impairment. The cannabinoid market has not been negatively impacted to the same extent as the opioids market has been and has widely been viewed as a beneficiary of the decrease in the use of opioids. Cannabinoid sales have increased during COVID-19 and are viewed as a non-addictive, more mild solution to chronic pain.

The Company's internally generated patent portfolio has not been capitalized as development expenditures are only capitalized if the development costs can be measured reliably, the product or process is technically, and commercially feasible, future and economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

The impairment of the opioid patent portfolio will not have an impact on other parts of the business and on future developments.

Loss on Change in Fair Value of Warrant Liability

As part of the Private Placement which closed on April 12, 2019, the Company issued 24,169,722 Units. The Units were issued to the new management team, employees, directors and certain strategic investors as identified by the new management team. Each Performance Warrant issued under the Units entitles the holder to purchase one Common Share at a price of $0.875 for a period of 5 years, after certain vesting requirements. The Performance Warrants vest and become exercisable as to one-third upon the 20-day volume weighted average trading price of the Common Shares (the "**Market Price**") equalling or exceeding $1.31, an additional one-third upon the Market Price equalling or exceeding $1.75 and a final one-third upon the Market Price equalling or exceeding $2.19. In addition, in the event the Market Price equals or exceeds $3.50, each Performance Warrant shall be exercisable for 1.5 Common Shares, provided that, at the time of exercise in respect of the additional 0.5 of a Common Share per Performance Warrant (the "**Performance Incentive**"), the Common Shares are listed on the facilities of a recognized stock exchange (other than the CSE or the TSX Venture Exchange) or the Common Shares are acquired for cash or for the securities of a company listed on a recognized stock exchange (other than the CSE or the TSX Venture Exchange). As of September 30, 2020, the requirement of listing the Common Shares onto a senior stock exchange has been met.

Performance warrants are initially accounted for as a derivative liability and measured at fair value with subsequent changes in fair value at each reporting period accounted for through profit and loss. The Performance Warrants require the derivative liability classification on the date of issuance, as the number of Common Shares to be issued per Performance Warrant is dependent on market price conditions.

The Company valued the Performance Warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.60 - 1.80%; volatility of 82%; dividend yield of 0%; and approximate expected lives of 3.5-5 years, inclusive of the incremental Performance Incentive. At initial valuation, $13.4 million was recognized as warranty liability. On May 23, 2019, 9,219,390 warrants were exercised and, $3.4 million have been recognized in equity under common shares and warrants, as the Market Price vesting conditions have been met, and the remainder which has not yet vested has been recorded as warrant liability.

At September 30, 2020, the warrants have been fair valued at $11 million using the Black-Scholes Option Pricing Model with the following updated assumptions: risk-free interest rate of 0.21%-0.28%; volatility of 90.11%; dividend yield of 0% and approximate expected lives of 1.5-3.5 years, inclusive of incremental

Performance Incentive. The difference of $1.4 million has been recorded as loss on fair value adjustments on the condensed interim consolidated statement of comprehensive loss.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at September 30, 2020, the Company had working capital of $9.1 million including cash and cash equivalents of approximately $9.1 million.

As at September 30, 2020, the Company has no cash generating assets and is using cash in operations.

As a development stage company, the Company's primary capital requirements relate to funding research and development activities and for general working capital purposes. The Company's operations have been financed primarily through the sale of common shares or units (consisting of common shares and warrants) and the Company intends to finance future research and development activities by the issuance of equity. The COVID-19 pandemic has had a significant impact on capital markets and may negatively impact the Company's ability to raise capital on terms that are acceptable to the Company. The Company's primary objective when managing capital is to ensure it has sufficient funds available to carry out its research, development and commercialization programs based, in part, on continuous monitoring. In addition to issuing equity, the Company intends to finance at least a portion of its commercialization programs by finding partners, whereby the Company completes the majority of the early stage research and development and the partner completes the majority of the commercialization portion of the project.

Cash Flows Used in Operating Activities

Cash flows used in operating activities for the nine months ended September 30, 2020 total $8.9 million (2019 - $5.5 million) reflecting the non-cash working capital changes during the period and the significant amount of operating activity.

Cash Flows Used in Investing Activities

During the nine months ended September 30, 2020, additions to property, plant and equipment amounted to $0.9 million, the majority of which was spent on lab equipment.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Note 3 to the annual Financial Statements as at and for the year ended December 31, 2019 include a summary of the Company's significant accounting policies.

The preparation of financial statements requires management to use estimates and assumptions that they believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. These estimates and assumptions are subject to inherent risk of uncertainty and actual results may differ from these estimates and assumptions.

These estimates include impairment indicators for patents, amortization period for patents and property, plant and equipment, compensation costs accrued for the share-based compensation plan and warrant valuation which are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of the Company's shares and expected term of the issued stock options, warrants and performance warrants.

Off- Statement of Financial Position Arrangements

As of November 12, 2020, the Company has not entered into any off- statement of financial position arrangements.

SUMMARY OF QUARTERLY RESULTS

	Q3-20 September 30, 2020	Q2-20 June 30, 2020	Q1-20 March 31, 2020	Q4-19 December 31, 2019
Revenue	$ 200	$ -	$ 2,160	$ -
Net loss	(7,594,743)	(10,068,913)	(1,415,630)	(3,096,886)
Net comprehensive loss	(7,650,686)	(10,088,106)	(1,420,892)	(3,274,859)
Net loss per share	$ (0.10)	$ (0.13)	$ (0.02)	$ (0.62)

	Q3-19 September 30, 2019	Q2-19 June 30, 2019	Q1-19 March 31, 2019	Q4-18 December 31, 2018
Revenue	$ -	$ 1,523	$ 3,061	$ 7,814
Net loss	(1,099,321)	(39,843,782)	(526,601)	(150,151)
Net comprehensive loss	(1,103,073)	(39,833,002)	(526,601)	(150,151)
Net loss per share	$ (0.01)	$ (0.56)	$ (0.01)	$ (0.03)

Prior to April 12, 2019, the comparative numbers include only the results of BioCan. From April 1, 2018 until April 12, 2019, BioCan consisted of a head office in Calgary and a research lab in British Columbia. After April 12, 2019, the results of operations include BioCan, Epimeron and Willow combined.

The net loss for the three and nine months ended September 30, 2020 was higher than that in 2019. In 2019, the Company had $3.2 million gain on fair value adjustments for the Performance Warrants compared to a loss on fair value adjustments of $3.7 million in 2020.

OUTSTANDING EQUITY INSTRUMENTS

The Company is authorized to issue an unlimited number of voting common shares without nominal or par value.

As at September 30, 2020 and November 12, 2020, Willow has the following securities outstanding:

	As at November 12, 2020	As at September 30, 2020
Common shares	96,584,186	78,891,879
Warrants	10,015,926	695,448
Employee stock options	5,868,720	5,913,720
Performance warrants	14,971,389	14,971,389
Incentive performance warrants	12,095,389	12,095,389
Total	139,535,610	112,567,825

MANAGEMENT OF FINANCIAL RISKS

The Company is exposed through its operations to the following financial risks:

- Market risk
- Foreign currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This section of the MD&A describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the financial statements. There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this section of the MD&A.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk and commodity price risk. The Company does not currently have significant commodity risk.

Foreign Currency Risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to changes in foreign exchange rates. Portions of the Company's cash and cash equivalents, deposits and prepaid expense, accounts payable and accrued liabilities and lease liabilities are denominated in US dollars. Accordingly, the Company is exposed to fluctuations in the US and Canadian dollar exchange rates.

As at September 30, 2020, the Company had a net deficit of US dollar denominated cash and cash equivalents, accounts payable and accrued liabilities and lease liabilities of US$190,323 which is equivalent to $254,689 at the September 30, 2020 exchange rate. The US dollar financial assets generally result from holding US dollar cash to settle anticipated near-term accounts payable and accrued liabilities denominated in US dollars.

Each change of 5% in the US dollar in relation to the Canadian dollar results in a gain or loss, with a corresponding effect on cash flows, of $12,734 based on the September 30, 2020 net US dollar liabilities position.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at September 30, 2020, the Company did not hold any floating rate investments.

The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks or credit unions with comparable credit ratings.

The Company regularly monitors compliance to its cash management policy.

The Company, as at September 30, 2020, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents and short-term investments held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or a counter party to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents and short-term investments.

Cash and cash equivalents and short-term investments are maintained with financial institutions of reputable credit and may be redeemed upon demand. Accounts receivable consists predominately of the IRAP, a government funded research grant, SRED tax refunds and GST receivable.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash and cash equivalents and short-term investments with high-credit quality financial institutions and management considers this risk to be minimal for all cash and cash equivalents and short-term investments assets based on changes that are reasonably possible at each reporting date.

The Company is not exposed to any externally imposed capital requirements.

Liquidity Risk and Capital Management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

As at September 30, 2020, the Company has cash and cash equivalents and of $9.1 million, current liabilities of $1.2 million and a working capital surplus of $9.1 million.

Willow is in a development stage and is not currently generating any revenue and expects to operate at a loss as it conducts research and development on its biosynthesis pathways. The Company's primary capital requirements relate to funding research and development activities and for general working capital purposes. The Company's operations have been financed primarily through the sale of common shares or units (consisting of common shares and warrants), and the Company will require additional financing in order to execute its business plan. Willow's ability to secure required financing will depend in part upon investor perception of its ability to create a successful business. Capital market conditions and other factors beyond the Company's control may also play important roles in its ability to raise capital. The Company can offer no assurance that it will be able to successfully obtain additional financing, or that future financing occurs on terms satisfactory to its management and/or shareholders. If funds are unavailable in the future, or unavailable in the amounts that management feels the business requires, or unavailable on acceptable terms, Willow may be required to cease operating or modify its business plan in a manner that undermines its ability to achieve the Company's objectives.

The Company's primary objective when managing capital is to ensure it has sufficient funds available to carry out research, development and commercialization programs based, in part, on continuous monitoring.

CONTRACTUAL OBLIGATIONS

The table below summarizes Willow's contractual obligations related to operating leases for office and laboratory premises, as at September 30, 2020:

2020	$ 142,419
2021	265,637
2022	144,523
2023	29,505
Thereafter	-
	$ 582,084

From time to time, the Company may be subject to various legal proceedings and claims related to matters arising in the ordinary course of business. The Company does not believe it is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

On October 29, 2020, the Company closed its offering of 17,692,307 Units at $0.65 per Unit, for total gross proceeds of $11.5 million. Each Unit consists of one common share (a "Common Share") in the capital of the Company and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire one common share at a price of $0.85 for a period of 24 months from the closing date of the Offering; provided that if, at any time prior to the expiry date of the Warrants, the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (the " TSX "), or other principal exchange on which the Common Shares are listed, is greater than $1.20 for 20 consecutive trading days, the Company may, within 10 business days of the occurrence of such event, deliver a notice to the holders of Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice (the "Accelerated Exercise Period "). Any unexercised Warrants will automatically expire at the end of the Accelerated Exercise Period.

RISKS AND UNCERTAINTIES

An investment in the Company involves significant risks and must be considered speculative due to the nature of the Company's business. Investors should carefully consider the risks and uncertainties described below. This list of risks and uncertainties below is not exhaustive. Furthermore, additional risks and uncertainties not presently known to Willow or that Willow believes to be immaterial may also adversely affect Willow's business. In addition to the risks identified elsewhere in this MD&A, investors should carefully consider all of the risk factors associated with the Company and its business identified under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2019, dated March 24, 2020, a copy of which is available under the Company's SEDAR profile at www.sedar.com.

The global outbreak of COVID-19 has had only a minimal impact to the Company's research and development activity as employees have been able to work remotely effectively. The Company does not expect the COVID-19 outbreak to have a significant impact to the Company's ability to achieve its goals within the planned timelines.

Risks Related to the Company's Business

The Company has a history of operating losses and may never achieve profitability in the future.

The Company is involved in research and development to identify and validate new therapies and drug targets that could become marketable. This process takes several years and requires significant financial resources without income. The Company expects these expenses to result in continuing operating losses in the foreseeable future.

The Company's ability to generate future revenue or achieve profitable operations is largely dependent on its ability to attract the experienced management and know-how to develop and patent new biosynthesis methods and to partner with larger, more established companies in the industry to successfully commercialize its processes. Successfully developing biosynthesized molecules into marketable products takes several years and significant financial resources and the Company cannot assure that it can achieve these objectives.

In Q2, the Company announced that it has reallocated resources to more efficiently manage it research and development process. This process has led to a reduction in its Calgary-based research personnel by 12 people. As well, the Company has made the decision to close its Calgary research and development lab. Due to the closure of the lab, the Company disposed of some Property, Plant and Equipment and Inventory at a loss of $117,449.

The Company will primarily be in a developing industry and will be subject to all associated regulatory risks.

The Company's business must be evaluated considering the problems, delays, uncertainties and complications encountered in connection with establishing a cannabinoid-based biosynthesis business.

There is a possibility that none of the Company's discoveries under development in the future will be found to be safe and effective, that it will be unable to receive necessary regulatory approvals in order to commercialize them, or that it will obtain regulatory approvals that are too narrow to be commercially viable.

Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect on the Company's business, financial condition and results of operations.

Scale up, marketing and commercialization processes will be expensive and time consuming, and their outcomes uncertain.

Before the Company can obtain regulatory approval for the commercial sale of any biosynthesized discoveries, it will be required to complete extensive scale-up, marketing and regulatory processes. Commercialization is expensive and can be difficult to achieve. Commercialization is also time-consuming and can often be subject to unexpected delays.

Protection of proprietary technology can be unpredictable and costly.

The Company's success will depend in part on its ability to develop patents, defend patents, maintain trade secret protection and operate without infringing on the proprietary rights of others.

Interpretation and evaluation of patent claims present complex and often novel legal and factual questions. Accordingly, there is some question as to the extent to which biopharmaceutical discoveries and related products and processes can be effectively protected by patents. As a result, there can be no assurance that:

• patent applications will result in the issuance of patents;
• additional proprietary products developed will be patentable;
• patents issued will provide adequate protection or any competitive advantages;
• patents issued will not be successfully challenged by third parties;
• the patents issued do not infringe the patents or intellectual property of others; or
• that the Company will be able to obtain any extensions of the patent term.

A number of pharmaceutical, biotechnology, medical device companies and research and academic institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to the business of the Company. Some of these technologies, applications or patents may conflict with or adversely affect the technologies or intellectual property rights of the Company. Any conflicts with the intellectual property of others could limit the scope of the patents, if any, that the Company may be able to obtain or result in the denial of patent applications altogether. Further, there may be uncertainty as to whether the Company may be able to successfully defend any challenge to its patent portfolio.

In addition, any breach of confidentiality by a third party by premature disclosure may preclude the obtainment of appropriate patent protection, thereby affecting the development and commercial value of the Company's technology and products. The Company may also decide to acquire or in-license certain pending or issued patents but cannot guarantee their approval and/or commercial viability.

Competition

The planned business to be carried out by the Company will be highly competitive and involve a high degree of risk. There can be no assurance that the licensing or other arrangements respecting the patent-pending cannabinoid-based pathway discovery platform sought to be obtained can be secured on favorable terms or otherwise, nor are there any assurances that sales or license revenues, if obtained, will be in sufficient quantities to make the business profitable. In its efforts to achieve its objectives, the Company will compete with other companies that may have greater resources, many of which will not only develop technology but also manufacture and sell similar products on a worldwide basis.

Uninsured or Uninsurable Risk

The Company may become subject to risks against which it cannot insure or against which it may elect not to insure. Settling related liabilities would reduce funds available for core business activities. Settlement of uninsured liabilities could have a material adverse effect on Willow's financial position.

Conflicts of Interest

The Company's directors and officers may currently be involved, or become involved, in other business ventures that compete with Willow's platform and services. Business opportunities for the Company may create circumstances in which outside interests of Willow's directors and officers' conflict with the interests of the Company. Directors and officers are required to act in good faith and in a manner that benefits the Company.

It is possible, however, that Willow's directors and officers may owe similar consideration to another organization(s). It is possible that these and other conflicts of interest are resolved in a way that has a material adverse impact on the Company.

Dependence on Key Personnel

The Company depends on support from existing directors and officers and its ability to attract, and retain, new directors, officers and other personnel with appropriate skill sets. Inability to retain key team members or find new professionals to serve in important roles could have a material adverse effect on the Company's business. There can be no assurance that Willow will be able to attract or retain the quality of personnel required in the future.

Costs of Maintaining a Public Listing

As a result of being a publicly listed Company, the Company will incur greater legal, accounting and other expenses related to regulatory compliance than it would have had it remained a private entity. The Company may also elect to devote greater resources than it otherwise would have on communication and other investor relations activities typically considered important by publicly traded companies.

Share Price Volatility and Speculative Nature of Share Ownership

The Common Shares are listed for trading on the TSX, resulting in many legacy shareholders being able to freely trade their shares. Factors both internal and external to the Company may significantly influence the price at which the Company's shares trade, and the volatility of its share price. Annual and quarterly operating results and material developments reported by the Company can, and likely will, influence the price of its shares.

Sentiment toward biotechnology stocks, as well as toward the stock market in general, is among the many external factors that may have a significant impact on the price of the Common Shares. The Company's business is at an early stage of development and is not generating any revenue and the Company does not possess large cash reserves. As such, it should be considered a speculative investment. There is no guarantee that a liquid market will be developed for the Common Shares.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Internal Controls Over Financial Reporting ("ICFR")

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as defined under National Instrument 52-109. These controls and procedures were reviewed and the effectiveness of their design and operation was evaluated in fiscal 2019 in accordance with the COSO control framework (2013). The evaluation confirmed the effectiveness of DC&P and ICFR at December 31, 2019. During the 2020 fiscal year, we continue to monitor and review our controls and procedures. During the three months ended September 30, 2020, there have been no significant changes to the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ADDITIONAL INFORMATION

Additional information relating to Willow, can also be found on SEDAR at www.sedar.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Peter Seufer-Wasserthal
Chairman

Donald Archibald
Director

Sadiq Lalani
Director

Al Foreman
Director

Trevor Peters
Director

Dr. Fotis Kalantzis
Director

Sony Gill
Corporate Secretary

OFFICERS
Trevor Peters
President and Chief Executive Officer

Travis Doupe
Chief Financial Officer

Chris Savile
Chief Operating Officer

Chris Speed
Senior Vice President, Sales and Marketing

Mathias Schuetz
Vice President, Research and Development

Troy Talkkari
Vice President, Corporate Development

Jerry Ericsson
Vice President, Operations

HEAD OFFICE
202, 1201 5th Street SW
Calgary, Alberta T2R 0Y6
Phone: 403.910.5140
info@willowbio.com

REGISTRAR AND TRANSFER AGENT
Alliance Trust
1010, 407 – 2nd Street SW
Calgary, Alberta T2P 2Y3

STOCK EXCHANGE LISTING
Toronto Stock Exchange
Common shares "WLLW"

AUDITORS
KPMG LLP
3100, 205 – 5th Avenue SW
Calgary, Alberta T2P 4B9

LEGAL COUNSEL
Stikeman Elliott LLP
4300 Bankers hall West
888 – 3rd Street SW,
Calgary, Alberta T2P 5C5